

Fiscal Estimate - 2009 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 09-3490/4	Introduction Number AB-0781	
Description Remission of fees for veterans and their dependents enrolled in the University of Wisconsin System or in a technical college		
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts </div> </div>		
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
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Fiscal Estimate Narratives
UWS 3/12/2010

LRB Number	09-3490/4	Introduction Number	AB-0781	Estimate Type	Original
Description Remission of fees for veterans and their dependents enrolled in the University of Wisconsin System or in a technical college					

Assumptions Used in Arriving at Fiscal Estimate

Overview

The Wisconsin GI Bill remits tuition and segregated fees for qualifying Wisconsin veterans and their children, spouses, and surviving spouses at University of Wisconsin and Wisconsin Technical College institutions. In 2008-09, the UW System remitted \$21.6 million in tuition and segregated fees under this program. Based on the available preliminary reports from UW institutions, it is estimated that the UW System will remit \$18.7 million over the 2009-10 fiscal year.

The current 2009-10 estimate is significantly lower than the \$25.8 million estimated in Jan 2008. The reduction is largely the result of changes made in the 2009-11 Biennial budget (WI Act 28) which substituted federal Post-9/11 GI Bill payments for Wisconsin GI Bill remissions in providing education benefits to Wisconsin veterans.

AB-781

The proposed legislation (AB-781) makes three changes to the Wisconsin GI Bill that will have a fiscal impact: 1) Change to the Interaction of Federal and State Benefits 2) Expansion of the 12-month Exception, and 3) Administrative Costs.

1) Change to the Interaction of Federal and State Benefits: Estimated Increase in Tuition Remissions: 2010-11 - \$772,492; 2011-12 - \$1,477,478; 2012-13 - \$2,612,692; 2013-14 - \$3,569,847.

In June 2009, Wisconsin passed the 2009-11 Biennial Budget (WI Act 28). As part of the budget, the Wisconsin GI Bill was modified to require most students to use benefits provided under the federal Post-9/11 Veterans Educational Assistance Act of 2008 (Post-9/11 GI Bill) before accessing Wisconsin GI Bill benefits [Wis. Stats. 36.27(3n)(bg) and 36.27(3p)(bg)]. Exceptions to this requirement are described on pages 1 and 2 of http://gibill.wisconsin.edu/WLGI_BillRevisions.pdf.

The legislation also requires the University of Wisconsin to "grant a full remission of nonresident tuition, academic fees, and segregated fees charged for 128 credits ... less the amount of any academic fees or segregated fees paid under" the Post-9/11 GI Bill [Wis. Stats. 36.27(3n)(b) and 36.27(3p)(b)]. The proposed legislation modifies this language.

Under the proposal, the University of Wisconsin may not remit tuition that can otherwise be paid for by the Reserve Officers' Training Corps, the Vocational Rehabilitation and Employment Program, and the Post-9/11 GI Bill. Credits paid for by those programs will decrease the number of credits that may be remitted under the Wisconsin GI Bill by 50 percent.

Determining the cost of this modification is difficult as the future behavior of Wisconsin GI Bill participants is unclear. Veteran students tend to be older and more established than traditional students and may not wish to continue their education.

However, eligible veterans may elect to use the Wisconsin GI Bill for graduate education, notably MBA and online programs, at a higher rate than non-veterans because there is a lower educational cost to bear. As there is no time limit on the Wisconsin GI Bill, students may pursue part-time education to minimize the impact on other life activities. High unemployment and increased federal financial aid for veterans may also encourage college participation.

The following attempts to roughly estimate the potential increase in Wisconsin GI Bill remissions associated with the proposed legislation. Please note that data from 2008-09 is used as data for 2009-10 is not yet

available.

Children and Spouses. For the purposes of this analysis; children and spouses using the Wisconsin GI Bill are excluded. The proposed legislation would only apply to those children and spouses who had Post-9/11 GI Bill benefits transferred to them from a parent or spouse. The number of students in this category is expected to be small.

And, students in this category can already separate their state and federal education benefits by asking the parent or spouse to revoke their transferred benefit until after the student has exhausted their Wisconsin GI Bill benefits.

Undergraduate Veterans using the Wisconsin GI Bill. In Fall 2008, there were 2,175 undergraduate veterans using the Wisconsin GI Bill. Special students are excluded for clarity. This may underestimate the impact of the proposed legislation on Wisconsin GI Bill remissions.

The analysis assumes that the program will grow by 234 veterans in Fall 2009 based on program growth between Fall 2007 and Fall 2008.

This results in the following Wisconsin GI Bill use by undergraduate veteran students:

Fall 2005	.....	894
Fall 2006	.....	1,352
Fall 2007	.....	1,941
Fall 2008	.....	2,175
Fall 2009	.....	2,409

Undergraduate Graduation Rates. Of veterans enrolled in 2005-06, 43.9 percent have used over 96 credits of Wisconsin GI Bill benefits as of Fall 2008. Based on this data, the analysis assumes that 43.9 percent of veterans will graduate four years after first enrolling. This is comparable to the systemwide six-year graduation rate of 65.1 percent for new freshmen entering a UW institution (see UW System's Growth Agenda Accountability Report <http://www.uwsa.edu/opar/accountability/>).

This assumption likely overestimates the immediate fiscal impact as students may not graduate in four years. However, these students are still likely to graduate within six years.

Given these assumptions, the analysis anticipates the following numbers of undergraduate veterans using the Wisconsin GI Bill to graduate during each year.

2010	.....	594
2011	.....	852
2012	.....	955
2013	....	1,058

Graduate School Enrollment. In Fall 2008, there were 344 veterans using the Wisconsin GI Bill enrolled in graduate and professional studies - roughly 14 percent of all veterans using the Wisconsin GI Bill.

The 2006-08 American Community Survey estimates that the highest education attainment for 631,711 Wisconsin residents over 25 is a bachelor's degree, and 317,838 residents have a graduate or professional degree. This suggests that roughly 33 percent of Wisconsin residents continue to graduate school after completing a bachelor's degree. Note that this is a rough approximation which does not account for migration.

Given the uncertainty in the behavior of the student veteran population, a graduate continuation rate of 24 percent, the average of 14 and 33 percent, is used for the analysis.

This suggests that the following number of additional veterans will enroll in graduate school using the Wisconsin GI Bill:

2010-11	.....	143
2011-12	.....	204
2012-13	.....	229
2013-14	.....	254

Please note that this table assumes that students will enroll in graduate or professional school immediately following graduation. This assumption likely overestimates the increase in Wisconsin GI Bill remissions over the next four years. The table also does not include students who may use the Wisconsin GI Bill for continuing education or career retooling, which underestimates the increase in remissions.

Post-9/11 GI Bill Eligibility. The proposed legislation only impacts those veterans that are eligible for some Post-9/11 GI Bill benefits. Early estimates of potential Post-9/11 GI Bill eligibility based on a review of service records suggest that 75 percent of veterans using the Wisconsin GI Bill would be eligible for some Post-9/11 GI Bill benefits.

This is results in a target group as follows:

2010-11.....107
 2011-12.....153
 2012-13.....172
 2013-14.....191

Weighted Graduate Tuition. In order to project enrollment behavior, a weighted average of the tuition and fees for veterans currently using the Wisconsin GI Bill for graduate and professional studies was calculated. The weighted average of tuition and fees is \$4,724 per semester.

Consistent with recent tuition increases, the analysis assumes a 5.5 percent tuition and fee increase per year.

School.	Enrollment.	Semester Tuition and Fees
UW-Madison - Graduate	37	\$5,257
UW-Madison - Law	18	\$8,211
UW-Madison - Medicine	8	\$11,797
UW-Madison - Pharmacy	6	\$6,961
UW-Milwaukee	95	\$4,999
UW-Eau Claire	13	\$3,814
UW-Green Bay	14	\$3,978
UW-La Crosse	16	\$3,835
UW-Oshkosh	27	\$3,789
UW-Parkside	4	\$3,809
UW-Platteville	26	\$3,848
UW-River Falls	5	\$3,830
UW-Stevens Point.	3	\$3,868
UW-Stout.	29	\$3,271
UW-Superior	3	\$3,936
UW-Whitewater.	40	\$3,753

Please note that this table does not include the potentially higher cost of MBA programs as enrollment in MBA programs is not differentiated from enrollment in other graduate courses. This underestimates the remission increase.

Rate of Pursuit of Graduate Veteran Students. Based on Fall 2008 data, about 45 percent of veterans using the Wisconsin GI Bill are taking 8 or more graduate or professional credits. This analysis will assume that these are full time students. The remaining 55 percent will be assumed to be attending at half time.

The estimate also assumes that students graduate after two years if they are enrolled full time and after four years if they are half time. This may underestimate the increase in remissions as graduate programs can take more than four years to complete.

These assumptions result in the following projected graduate enrollments:

Year	Full time	Part time
2010-11	48	59
2011-12	117	143
2012-13	146	238
2012-14	163	343

Estimated Remission Increase. Based on these assumptions and conditions, the analysis estimates the following increase in tuition remissions:

2010-11 \$772,492
 2011-12 \$1,477,478
 2012-13 \$2,612,692
 2013-14.. ... \$3,569,847

Please note that the tuition remissions increase each year for three reasons. First, the cost of tuition increases annually. Second, because students do not graduate in a single year, remissions must be granted

to continuing students and new graduate students. Third, as the number of veterans graduating each year grows, more veterans will be eligible for graduate remissions.

This analysis excludes summer and winter terms, which underestimates increased program costs. The potential for students to discontinue their graduate studies prior to graduation is also not considered, which may overestimate remission growth.

The analysis may overestimate remissions in 2010-11 as some veterans who have been using federal military education benefits may not be required to use their Post-9/11 GI Bill benefits. Anecdotal evidence suggests that these veterans may already have elected to use the Post-9/11 GI Bill. As no concrete data exists, this variable is not considered.

This analysis also excludes the impact of variable rates of federal benefit payments. For example, a student may only be eligible for a 40 percent tuition payment under the Post-9/11 GI Bill. As most students are expected to have 70 or 100 percent eligibility and no data is available for current enrollments, no attempt is made to adjust for this variable.

Conclusion. Based on the above analysis, the proposed legislation is estimated to increase Wisconsin GI Bill remissions by \$8.4 million from 2010-11 through 2013-14. Given the underestimation resulting from a number of the assumptions, this estimate is expected to be conservative. Notably, this estimate does not include the increase in remissions for continuing education at UW and students transferring from the Wisconsin Technical College institutions.

2) Expansion of the 12-month Exception

As noted above, the 2009-11 Biennial Budget requires certain veterans, children, and spouses to use Post-9/11 GI Bill benefits before accessing the Wisconsin GI Bill. An exception is made for some students who have already used the majority of another federal military education benefit. The proposed legislation expands the exception to include a new category of students.

These students must be using the Wisconsin GI Bill as a child or spouse, have Post-9/11 GI Bill benefits transferred to them by a parent or spouse, and have been eligible for the Montgomery GI Bill-Active Duty benefit through their own military service. This would require that the students have a parent or spouse that was disabled or injured in military service, have a parent or spouse with military service after September 11, 2001, and have served active-duty military service themselves.

It is not known how many students this would impact, though the number is expected to be small.

3) Administrative Costs - Indeterminate

The proposed legislation retroactively applies to Spring 2010 [Section 11]. However, the changes made by the 2009-11 Biennial Budget became effective for some students in Fall 2009. Should the proposed legislation become law in its current form, the University of Wisconsin will be required to apply the changes made by the 2009-11 biennial budget to Fall 2009 and to apply the proposed legislation to Spring 2010 and beyond.

Tracking these varied policies will require adjustments to the Wisconsin GI Bill database and additional administrative resources. A cost estimate cannot be made as the number of students who would need to be tracked separately has not yet been reported.

Additionally, the current UW System reporting systems and protocols are not capable of reducing a student's Wisconsin GI Bill eligibility by 50 percent of the credits paid for by the Post-9/11 GI Bill. The proposed legislation may require manual tracking and reporting for all Wisconsin GI Bill participants, which will result in additional administrative expense.

Long-Range Fiscal Implications

The increased cost of the proposed modifications continue indefinitely. Increases in the number of Wisconsin veterans resulting from future military mobilizations or demobilizations or increased use of the Wisconsin GI Bill resulting from changes in the economy will increase the cost of the proposed legislation.

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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 ☐ Corrected
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$3,569,847	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$3,569,847	\$
B. State Costs by Source of Funds		
GPR	3,569,847	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$3,569,847	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		
Authorized Signature		Date
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Freda Harris (608) 262-2734		

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Fiscal Estimate Narratives

WTCS 3/16/2010

LRB Number	09-3490/4	Introduction Number	AB-0781	Estimate Type	Original
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Assumptions Used in Arriving at Fiscal Estimate

The Legislative Fiscal Bureau (LFB) in its February 22, 2010 estimate of the fiscal effect of AB 781 (LRB-3490/4) assumes that starting in 2011-12, 418 veterans might exhaust their current 128 credits of Wisconsin GI Bill eligibility each year, of which 15% would enroll in additional undergraduate education (63 students annually). Of these 63 students annually, LFB assumes 2/3 would likely enroll in a WTCS institution (42 students).

Five factors that drive the potential WTCS-related costs of the modifications to the Wisconsin GI bill proposed in AB 781 are held constant in the LFB estimate:

- Annual cohort size of eligible veteran population who could choose to apply additional credits to undergraduate programs (418);
- The percentage of eligible veterans who actually enroll and apply additional credits in undergraduate programs (15% of 418 = 63);
- The proportion of the enrolled students that enroll in WTCS colleges (2/3 of 63 or 42 students);
- The number of credits of additional eligibility used per eligible veteran (32, based on LFB's cost/credit calculation); and
- Annual per credit tuition and fees (08-09 levels).

As noted in the LFB estimate, estimating the potential cost of a new program with little (or no) eligibility or participation history requires assumptions in all of these factors. Changing any of the assumptions or using an alternate set of assumptions means the cost estimate could vary significantly.

However, because there are a number of external factors that could influence veterans' college enrollment decisions, estimating a single rate of participation or credit usage seems unlikely to accurately reflect the potential impact of the proposed changes on the WTCS. Rapid changes in technology and workplace knowledge have made life-long learning mandatory for a successful career. Annual WTCS enrollment levels have been at record highs every year for the last decade and the number of WTCS students who already have a baccalaureate degree is nearly 40,000. Economic changes are encouraging more Wisconsinites to upgrade or acquire new skill sets in significant numbers. WTCS enrollment growth is expected to exceed 15% this year.

Moreover, it is especially difficult to estimate enrollment choices of veterans based on enrollment patterns of other student populations for whom tuition costs and potential post-graduation debt are a significant consideration in enrollment decisions. In addition, the recent demobilization of 3,500 Wisconsin veterans with additional demobilizations anticipated in the coming years suggests continued increases in veterans seeking to use their federal and state Wisconsin GI Bill benefits. Therefore, it is reasonable to assume that more than 15% of eligible veterans will take advantage of expansions to this benefit at some point in their lives.

As a result, Table 1 shows the range of potential costs of enacting AB 781 assuming varying levels of participation and credit usage while maintaining the initial LFB assumptions regarding the eligible population of veterans who might enroll in WTCS institutions (2/3 of 418 veterans). As indicated by LFB, it is not possible to determine when the students might seek to use the additional credits so the costs shown in Table 1 represent the total annual costs per cohort of veterans who have graduated or otherwise exhausted tuition remissions for 128 credits under the Wisconsin GI bill, given variations in participation rates and credit usage.

TABLE 1
ANNUAL COST SCENARIOS

Percentage of Eligible Veterans Using Additional WTCS Credits

Additional 15% 25% 50% 100%

credits used (42 veterans)(70 veterans) (139 veterans) (278 veterans)

32 credits \$141,037 \$233,943 \$468,886 \$935,771

64 credits \$282,075 \$467,886 \$935,771 \$1,871,542

In addition to these costs, administrative costs will increase under the proposed change, because the bill creates a distinction in the credits of eligibility for some veterans, which will require separate procedures for tracking credits used and tuition and fees remitted under the existing Wisconsin GI Bill. These additional administrative costs will affect both WTCS colleges and the System Office.

Long-Range Fiscal Implications

As increases occur in the number of federal Post-9/11-eligible veterans, the number of eligible spouses, and the number of eligible dependents of college age, the estimated participation and credit usage rates for those seeking to use the additional eligibility provided under AB 781 will also increase. As a result, the long-term fiscal effect of enacting AB 781 is likely to be significantly higher costs than any of the short-term estimates provided here.

In addition, even assuming no change in participation and credit usage, tuition increases will incrementally raise the cost of providing additional tuition remissions as proposed under AB 781. Based on the initial annual costs shown in Table 1, and including an estimated 10% annual increase in veterans who use their additional eligibility plus an estimated 4% annual tuition growth suggests the potential for significantly higher additional annual costs associated with enactment of AB 781. For example, within 10 years, the additional annual costs for veterans using 32 of their additional credits could range from \$523,000 to \$3.5 million depending on participation rate while the additional annual costs for veterans using all 64 of the additional credits of eligibility proposed in AB 781 could range from \$1 million to \$6.9 million within 10 years depending on participation rates.